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A STUDY OF PROFITABILITY

FOR 16 CANADIAN FOOD COMPANIES

PART II - 1973 - 1974

Prepared for the
Ministry of Consumer and
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FOOD COMPANY PROFITABILITY STUDY

Part Two: 1973 - 1974

SECTION I: INTRODUCTION

Part One of "A STUDY OF PROFITABILITY FOR 16 CANADIAN FOOD COMPANIES", covering the period from 1967 to 1972, was tabled in the Legislature on April 11, 1974.

Part Two continues the analysis of Part One through 1973. Of the original 16 companies only 12 are fully analyzed in Part Two. The Steinberg's Limited Annual Report was not received in time to be included. Ogilvie Flour Mills Limited, Loblaw Companies Limited and General Bakeries Limited were, for varying reasons, not available for detailed analysis at the time this volume was prepared. More complete information on this subject is available in Section VI.

SECTION II: REVIEW

Background to this Study

Over the period from 1967 to 1972, the annual compound rate of increase in food prices was approximately 4 percent, about the same as the rate of increase in the consumer price index.

In 1973, food prices rose 17 percent, compared to an increase of slightly more than 9 percent in the consumer price index. Food price increases were the most important contributor to the upward movement of the consumer price index last year, placing considerable strain on the food budgets of most lower and middle income families.

During 1973, food company profits climbed along with the cost of food. Several questions naturally arose: have rising food industry profits been a major contributor to this food price inflation? And even more fundamentally, have food companies taken advantage of price instability to make excessive profits? The answer to these questions should be found in the financial data of the food companies. The method is to establish what the level of profitability was in the period from 1967 to 1972 when prices were relatively stable, and compare these results with those of 1973.

Part One of this Study analyzed the data for the base period from 1967 to 1972. Some early 1973 results were included where year-ends made this necessary. The conclusion of Part One was that food company profits in the base period were not excessive and were, in fact, declining over the period.

To make a sound comparison between the base period and 1973, two difficulties must be overcome. First, increases in profits due to such things as lower corporate tax rates, real estate transactions, acquisitions or the operation of non-food subsidiaries should be separated from the profits due to food operations. In order to trace the relationship between rising food company profits and rising prices, the food operations and their profitability should be isolated.

The second problem is to arrive at a definition of excessive profitability. Profitability in 1973 was considerably higher than in the base period, but was this an indication of a return to acceptable levels of earnings or an excessive profit?

In Part Two, a multi-stage definition of profiteering is proposed and applied to selected food

companies' profit increases earned during 1973. The conclusions of Part Two are to be found on pages 16 - 18. of this report.

Review of Part One Findings

The Part One findings released April 11, 1974, were:

1. There is little evidence of excessive profits for the sixteen companies analyzed for the period 1967-1972. The rates of return for the food industry are generally lower than for industries comparable in terms of risk and size (for example, the beverage industry).

2. The average profit margins and returns on net worth for the sixteen companies were lower in 1972 than in 1967 and lower than in other industries.

3. Food industry operations contributed only a part of the increased profits reported by food companies. Acquisitions and decreases in effective tax rates contributed significantly to the average annual compounded growth rate in after-tax profits of 4.5 percent for the sixteen companies.

SECTION III: METHODOLOGY AND DEFINITIONS

The Scope of this Study

This Study has relied primarily upon Annual Financial Reports released to the public under provincial disclosure requirements. No attempt was made to conduct interviews with the companies to obtain additional information.

The Part One analysis did not extend beyond the latest annual reports of each company available in late 1973 when this Study began. Fiscal year ends ranged from October 1972 (J.M. Schneider Ltd.) to July, 1973 (Steinberg's Limited). Therefore, the results in the main did not reflect the accelerated rate of price increases in the second, third and fourth quarters of 1973.

The Part Two analysis is not based upon the 16 companies in Part One. Loblaw Companies Ltd. changed its year end in 1973 to be consistent with George Weston Ltd., making a detailed analysis difficult. Three companies - Ogilvie Flour Mills Ltd., General Bakeries Ltd., and Steinberg's Ltd. - were excluded from the Part Two sample because the Annual Reports were not available at the time the report was written.

Many of the companies also do not provide separate results for non-food divisions and it is impossible to segregate these results from those of the parent.

Many of the year ends do not conform to the calendar year. Yardsticks such as general industry price increases have been restated to cover the same period as the fiscal year for each individual company, but comparisons between companies remain difficult if year ends are not identical.

True Profits

Non-recurring gains or losses (extraordinary items) are traditionally eliminated to obtain a smooth profit stream for analysis and comparison purposes. However, there are other changes that take place over time which radically affect profit growth and do not receive special annual report treatment. For example, a significant decrease in the effective tax rate for a corporation over a period of time will amplify the rate of growth of profits. As a result a misleading picture of actual growth is obtained.

In order to determine true or recurring growth the following type of analysis was employed: Assume that the income statements for the fiscal years 1968 and 1973 for company "X" are as follows:

Company "X"	1968	1973
Sales	$1,000	$1,200
Less: Cost of Sales	750	900
Gross Profit	$ 250	$ 300
Less: Operating Expenses	$ 50	$ 55
Profit before Taxes	$ 200	$ 245
Less: Taxes	$ 100	$ 100
Net Profit aft Taxes	$ 100	$ 145

Company "X" has experienced a 45 percent rise in profit over the period. To break down the profit growth into component parts it will be necessary to hold all other components constant (at 1968 rates) as each part is examined.

1) Increase in Sales

1973 sales increase	$200
1968 ratio of profit before tax to sales	20 percent
1973 sales increase x 1968 ratio	$40
After tax	$20

2) Cost of Sales Ratio

1973 cost of sales	$900
1968 ratio, cost of sales to sales	75 percent
1973 sales x 1968 ratio	$1200 x 75% = $900
Increase in profit due to decrease in cost of sales	0

3) Operating Expense Ratio

1973 operating expenses	$55
1968 ratio, operating expenses to sales	5 percent
1973 sales x 1968 ratio	$60
Increase in before tax profits due to decrease in operating expenses	$5
after tax	$2.50

4) Changes in Tax Rate

1968 rate of tax	50 percent
1968 rate of tax x 1973 taxable income: 50% x $245	$122.50
1968 tax paid	$100.00
Increase in after tax profits due to change in tax ratio	$ 22.50
Total increase in after tax profits $20 + $2.50 + $22.50	$ 45.00

The increase in profits can be attributed to:

	Before Tax	After Tax
Sales growth	$20.00	44.4%
Decrease in operating expense ratio	2.50	5.6
Decrease in effective tax rate	22.50	50.0
Total	$45.00	100.0%

The objective of this type of analysis is to isolate the components of growth. In the example above, 50 percent of the profit increase can be attributed to true growth, while 50 percent is due to a non-recurring development (a decrease in the tax rate). With no reason to anticipate further decreases in the effective tax rate of the same magnitude as in the past, the true profit growth for Company "X" has been 22½ percent and not 45 percent over the five year period.

Growth Rates

Throughout the Study, reference is made to annual compound rates of growth. This rate of growth may be illustrated in the following example:

Net profit after tax (1968)	$100,000
Net profit after tax (1973)	200,000

The annual compound rate of growth is determined by solving for R in the following equation:

$$200,000 = 100,000\ (1+R)5\ ..\ R = 15 \text{ percent}$$

If the simple average growth rate is used we could have a 100 percent increase spread over five years or 20 percent a year. This is an incorrect rate since the base increases each year, i.e. 120 percent of 100,000 = 120,000; 120 percent of 120,000 = 140,000, etc.

Growth rates can be misleading:

For example:
Assume that Company "X" earns $1000 in 1968 and $10,000 in 1973;
Assume that Company "Y" earns $100,000 in 1968 and $300,000 in 1973;

	1968 Profits	1973 Profits	Profit Increases	Annual Compound Rate of Growth
Company "X"	$ 1,000	$ 10,000	$ 9,000	48%
Company "Y"	100,000	300,000	200,000	25%

With a very low starting base a growth rate can appear to be phenomenal in comparison to companies with more substantial earnings (or sales, etc.) in the same base year. The level in the base year must always be considered when growth rates are compared.

<u>Definitions</u>

$$\text{Gross margin} = \frac{\text{Sales - Costs of Sales}}{\text{Sales}}$$

$$\text{Operating margin} = \frac{\text{Profit before depreciation, interest and taxes}}{\text{Sales}}$$

$$\text{Pre-tax margin} = \frac{\text{Profit before taxes}}{\text{Sales}}$$

$$\text{Profit margin} = \frac{\text{Profit after tax before extraordinary items}}{\text{Sales}}$$

$$\text{Return on invested capital} = \frac{\text{Profit before interest on long-term debt and before taxes}}{\text{Invested capital}}$$

Invested capital = Shareholders' equity plus long-term debt plus minority interest plus deferred taxes.

Net worth = Shareholders' equity with adjustment to account for excess of market value over cost of securities, intangible assets, etc.

SECTION IV: GENERAL ANALYSIS

What is Profiteering?

Two assumptions have been made in the attempt to define and isolate profiteering:

Profiteering stems from a conscious and deliberate decision to take advantage of a period of scarcity or market confusion by changing pricing policies such as percentage mark-ups. Maintaining the same pricing policies in differing market conditions is not considered to be profiteering.

Profiteering will be observable in that a profiteering company will have financial data substantially different from the industry as a whole. The assumption is that profiteering would take place on a company basis rather than industry-wide. The Ministry is not in a position to challenge this assumption; federal restraint-of-trade agencies would need to decide whether or not competitive practices are in force.

To discover when a company is profiteering, the following questions need to be asked:

a) Are sales rising faster than average industry selling prices? Let's suppose, for example, that a company is selling widgies. Sales for the company are up 30 percent while the price of widgies has climbed on the average about 25 percent during the same period.

   One of two things is happening here. Either the company is selling more widgies or it is raising the price of them faster than is generally true across the market.

   If the company is adding production or sales capacity through acquisition and thereby expanding the physical volume of business, a sales increase greater than general industry selling price increases is natural and to be expected. If prices appear to be going up faster than the industry average, the need for further analysis is indicated.

   If sales have increased less than industry selling price increases, profiteering is not at all probable. Among the 13 companies surveyed, Silverwood Industries Ltd., George Weston Ltd., The Oshawa Group Ltd., Dominion Dairies Ltd., Burns Foods, Ltd., Becker Milk Co. Ltd. and Loblaw Companies Ltd. appear to have increased prices the

same as, or less than, industry averages. Information on Canada Packers Ltd. indicates its food product lines also fall into this category.

b) Are profits rising faster than sales? If sales increases are equal to or greater than profits (the profit margin is declining), no profiteering is indicated. Among the 13 companies surveyed in 1973, Burns Foods Ltd., Canada Safeway Ltd., The Oshawa Group Ltd., J.M. Schneider Ltd. and Loblaw Companies Ltd. belong to this category.

   Profits rising faster than sales is another sign that additional analysis is needed.

c) What is the source of profit increases? Profits may increase more rapidly than sales but the main reason may be a decrease in depreciation and interest ratios, a lower tax rate or a decrease in the operating expense ratio rather than an increase in sales due to accelerated price increase. Separating out the percentage of profit increases due to sales increases again helps to refine the analysis and direct our attention more carefully to where profiteering may be taking place.

   Less than 50 percent of the 1973 profit increases of Dominion Dairies Ltd., George Weston Ltd., M. Loeb Ltd., Maple Leaf Mills Ltd., Dominion Stores Ltd., The Oshawa Group Ltd., Silverwood Industries Ltd. and Becker Milk Co. Ltd. were attributable to sales increases.

d) Is return on net worth rising? If sales are rising faster than average industry selling prices and profits are rising faster than sales, the remaining consideration is the return on net worth. If the company is enjoying a sharply higher rate of return, there are four possible explanations:

   (i) The company is returning to acceptable levels of profitability after a period of decline.

   (ii) The company is in a cyclical industry where good years traditionally make up for poor ones.

   (iii) The company is seeking a higher rate of return necessary to make expansion worthwhile and to attract and compensate equity investment.

   (iv) The company has been making a return on net worth high enough to satisfy its needs and additional increases represent strong evidence of profiteering.

Categories (i) and (ii) can be judged on the basis of historical data. Category (iii) should relate to proposed expansion programs or modernization which would have long term consumer benefit. Category (iv) would include companies which, on the basis of historical data and expansion plans, are making an excessive profit.

Definition: Profiteering is therefore defined as a process in which sales increases are greater than price increases, profits are rising faster than sales, profit increases are derived mainly from sales increases and a higher return on net worth which cannot be justified by expansion plans or the need to make up for poor past performance.

Sales Compared to Profits

The after tax profits for 13 companies whose 1973 results were available for analysis rose at an average annual compound rate of 7.6 percent from 1967 to 1973. These profits are usually needed to purchase assets necessary to expand or maintain business. It is therefore reasonable to relate profit increases to increased requirements for capital expenditures to arrive at an estimation of net profit increases in real terms. Such an exercise is not unlike relating the value of currency in different years by comparing its purchasing power for a fixed quantity of goods.

Setting 1967 at 100.0 the gross fixed capital formation price index would read 131.7 in 1973. Adjusting the annual compound growth rate using this index, profits for the 13 companies in real terms rose 2.8 percent annually over the six year period.

Sales over the same six years climbed at an annual compound rate of 9.8 percent. Adjusted for inflation in the Consumer Price Index, the real growth in sales was approximately 5.1 percent.

Comparing sales and profits in real terms, sales increased faster than profits over the period. This result is incompatible with profiteering. A close relationship between profits and sales is to be expected when the same profit margins are applied to higher sales to achieve higher profits of the same magnitude. Under these circumstances, costs move up at the same rate as price increases to maintain a balanced relationship between sales and profits.

In actual fact, sales in real terms have outpaced real profit growth for the six year period including 1973, thereby indicating a general pattern of declining profit margins for the industry as a whole. The sharply higher profits for the industry in 1973 did not,

therefore, offset the general decline from 1967 to 1972 and did not bring profits and sales increases into balance over the combined six year period, despite the fact that profits rose 45.9 percent in 1973 compared to a 25.3 percent increase in sales.

Profits Can Be Misleading

There is no absolute definition of profit. Changes in accounting procedures can make considerable difference in the profit figures. The way costs are currently accounted for at the first phase of an inflationary period has particular impact on profits and tends to overstate them. The "quality" and source of profits must therefore be analyzed before any charges of profiteering can be sustained.

The fact that profits in 1973 increased faster than sales is attributable to the following factors:

(1) Sales Rising Faster than Operating Costs: This phenomenon is particularly prevalent during inflationary periods when a higher dollar value of goods is handled but the number of physical units sold remains the same. Some of the companies studied were able to increase dollar sales volume without comparable increases in labour and other operating cost components. The same percentage mark-up applied to higher dollar volume without comparable increases in costs will accelerate profits faster than sales, without any change in policy or practices having been made by the company.

(2) The Accounting Trap: Capital assets are listed in financial statements at cost. When purchased, these assets can be deducted from taxes (depreciated) over a period of time usually related to how long the asset will last, so that when it needs to be replaced, the original price has been completely deducted from income before tax.

During periods of inflation, the depreciation, which is based upon original cost, is actually a much lower tax deduction than the amount required to replace the asset. Consequently, profits may appear large, but they are needed to replace assets at new higher prices. Depreciation based upon original rather than current value overstates profits.

Interest payments on long-term debt are also related to original borrowing costs and tend to decline as a percentage of sales during periods of inflation. Once again, profits may be overstated because interest charges to be paid on new financing

necessary for asset replacement or capital expansion would be obtained at higher interest rates.

(3) Decrease in Tax Rates: The federal government decreased its tax rates for some industries and accelerated depreciation for some machinery and equipment in 1972. Taking full advantage of these opportunities will increase profits, but the advantage may be short-term or non-recurring. An increase in profit of this kind does not come from increased prices or from operations generally and therefore should be discounted in an analysis of prices and profits. The higher profits resulting from a lower federal tax rate was intended to facilitate expansion and must be evaluated in these terms.

(4) Inventory Profits: Part of the profits came from inflated inventories. Raw materials and goods purchased when prices were low and sold later at higher prevailing prices yielded an additional profit. In a period of rapidly rising prices, this system creates "inventory profits". These profits vanish when the lower priced inventories are replaced at higher prices. It is important to subtract these inventory profits to arrive at a more realistic profit picture.

It should also be noted that a decline in prices has occurred for some commodities during 1974. This decline may itself offset1973 inventory profits with inventory losses for some of the companies surveyed. A year end profit picture can be misleading if the year end coincides with a peak in commodity price movements.

(5) Year Ends Can Distort: Different year ends may significantly affect profits. Therefore, when comparing the financial results of two or more companies, several years should be considered so as to reduce the impact of seasonal swings in commodity prices.

Return to Shareholders

Only four of the 13 public companies surveyed had greater compound rates of return on common shares in 1973 than in the five year period from December 1968 to December 1973. The four companies with an upward trend in 1973 were Canada Packers Ltd., General Bakeries Ltd., Maple Leaf Mills, Ltd. and George Weston Ltd.

The average annual compound rate of return on common shares for the 13 companies in the five year

period ending December 1973 was -1.9 percent, the negative figure indicating a net overall annual loss to shareholders. Compared to government bonds, guaranteed investment certificates, preferred shares and mortgages, all of which have lower risk, the common shares of food industry companies were singularly unattractive. The Toronto Stock Exchange Index also outperformed the aggregate for the food companies.

The conclusion to be drawn from this data is that prospective investors have not believed abnormally high or even adequate return can be made from food company common stock investments. Existing shareholders are not, as a whole, adequately compensated. This fact will no doubt have an adverse impact on the industry's ability to attract the equity capital necessary to expand or maintain capacity, which in turn could contribute to higher consumer prices in the long term.

The following table outlines the comparison between rates of return for food company common shares and other measures of return on investment.

RATES OF RETURN ON COMMON SHARES IN THE FOOD INDUSTRY WITH COMPARISONS WITH OTHER SECURITIES

Company	Annual Compounded Rate of Return (1) Dec/68 - Dec/73	Rate of Return Dec/72 - Dec/73
Canada Packers Ltd.	7.4 %	12.7 %
Burns Foods Ltd.	20.6	(19.4)
Becker Milk Company Ltd.	(25.3)	(57.7)
Dominion Dairies Ltd.	22.3	17.0
Silverwood Industries Ltd.	(8.9)	(14.4)
Steinberg's Limited	7.6	(34.2)
Dominion Stores Limited	(.7)	(6.5)
Loblaw Companies Limited	(2.4)	(8.4)
M. Loeb Limited	(17.1)	(26.1)
Oshawa Group Ltd.	(29.4)	(33.7)
General Bakeries Ltd.	(10.0)	1.0
Maple Leaf Mills Ltd.	9.2	27.8
George Weston Ltd.	2.1	8.5
Average (Simple) (2)	(1.9)	(10.2)
(Weighted) (3)	(2.6)	(8.7)
Toronto Stock Exchange Index (4)	6.4	.2

Average yield:	1968-1973	1973
Government Bonds (Canada)	7.4 %	7.6 %
Guaranteed Investment Certificates	7.8	8.2
Preferred Shares	6.6	6.7
Mortgages (Conventional)	10.0	9.9

(1) Geometric Mean Return adjusted for dividends.
For example, if a stock sells for \$2 at the end of year +, \$3 at the end of year ++1, and \$5 at the end of year ++2, and pays a dividend of 10¢ per year, the annual compounded rate of return for the two year period is calculated as follows:

$$\text{return in year ++1} = \frac{(3-2 + .10)}{2} = 55\%$$

$$\text{return in year ++2} = \frac{5-3 + .10}{3} = 70\%$$

Using wealth relatives, the geometric mean is calculated as

$$\text{Geometric Mean} = \sqrt[2]{1.55 \times 1.70} = 21.6\%$$

The annual compounded rate of return is therefore 21.6% for the two year period.

(2) Arithmetic mean return for the 13 companies.

(3) Weighted average:
Each company's weight is calculated in proportion to the issued and outstanding shares to calculate rates of return. The weights used:

Company	Weight
Canada Packers Ltd.	12.2%
Burns Foods Ltd.	5.4
Becker Milk Ltd.	2.4
Silverwood Industries Ltd.	.9
Dominion Dairies Ltd.	1.0
Dominion Stores Ltd.	16.8
Steinberg's Ltd.	8.0
M. Loeb Ltd.	5.8
Oshawa Group Ltd.	13.9
Loblaw Companies Ltd.	6.8
Maple Leaf Mills Ltd.	3.2
General Bakeries Ltd.	1.5
George Weston Ltd.	22.1
Total	100.0%

(4) Geometric Mean Return adjusted for dividends. Dividends calculated as arithmetic average for year + and year +-1, where + = 1969, 1970 etc.

SECTION V: CONCLUSION ON PART TWO FINDINGS

The general conclusion of this study is that there is no evidence to suggest food company profiteering during calendar 1973. This conclusion is based upon the following findings:

1. Profit margins for the 13 companies improved slightly from 1972 but remained below 1967 figures. Return on net worth was up substantially from 1972 but was only modestly higher than in 1967.

	Profit Margin	Return on Net Worth
1967	1.5%	11.9%
1972	1.2	8.7
1973	1.4	12.7

Inflation affects companies in the same way it affects individuals. Purchasing power declines. To continue to replace outworn facilities and expand operations during an inflationary period requires higher rates of return.

The compound rate of inflation for gross fixed capital formation was 4.7 percent per annum from 1967 to 1973, or 31.7 percent over the period (compared to a 30.3 percent increase in the Consumer Price Index). In comparison, return on net worth was 6.7 percent higher for 1973 than for 1967. This increase in return should not be considered excessive given the fact that cost of capital expenditures rose 31.7 percent over the same period.

2. Using the definition developed in Section III, profiteering is indicated in a company which simultaneously has the following three characteristics: sales increasing faster than industry price increases, profits increasing faster than sales and a higher return on net worth which cannot be justified by expansion plans or the need to make up for poor past performance.

Among the 13 companies surveyed, five had sales increases higher than industry price increases - Canada Safeway Ltd., M. Loeb Ltd., Maple Leaf Mills Ltd., J.M. Schneider Ltd. and Dominion Stores Ltd. Canada Packers Ltd. is not included as its sales increases for food product lines were lower than for non-food items and also lower than general food price increases.

Among the five companies with sales rising faster than industry prices, only two - M. Loeb Ltd. and Dominion Stores Ltd. - also increased profits more than sales. But M. Loeb Ltd. profit margins and the return on net worth remain well below historic highs and at a low level in absolute terms. In addition, less than 32 percent of the 1973 profit increase was derived from sales increases. Dominion Stores Ltd. return on net worth for 1973 remained lower than the 1967 level and only 44 percent of profit increases were due to sales.

3. The performance of food company common stock demonstrates that investors do not believe food companies are capable of sustaining higher profits. Food company stocks have been consistently outperformed by the Toronto Stock Exchange Index. In recent months equity markets have not responded favourably for any major industry but this performance does not change the fact that during the study period from 1967 to 1973, food company common shares have performed poorly compared to other industries.

4. No Incentive to Fight Inflation: It is evident from the analysis that food companies have little difficulty passing on rising costs in the form of higher prices. A marketing system which makes this possible may have some desirable qualities from the corporate financial point of view but it does not provide much incentive to companies to hold the line on costs.

   The standard percentage mark-up still common in most industries serves to magnify the impact of higher costs and prices and to increase profits without necessarily providing more or better products and services and is therefore also a contributing factor to inflation.

   It is not within the scope of this study - nor do we have the necessary information - to make recommendations on food product mark-ups. Nonetheless, the industry, in concert if possible, should undertake its own review of the percentage mark-up system. The two objectives of such a review would be to assess the price impact of the percentage mark-up and to determine whether or not it could be revised, perhaps using a sliding scale mark-up. Such a mark-up would decline in percentage terms as costs increased, thereby tending to moderate the inflationary impact of the mark-up, while still returning a somewhat higher profit to the company in absolute terms as a hedge against inflation and a source of needed funds.

5. Dividend pay outs declined: The percentage of net profits after tax paid out in dividends to shareholders declined in 1973 compared to 1967. Increased profits thus far have been largely retained for use as working capital or for capital expansion.

TABLE 1

Fiscal Year End	Company	Sales			Annual Compound Growth Rate Sales		Net Profit			Annual Compound Growth Rate Profits		Profit Margin			Return on Net Worth		
		1967	1972 ($'000)	1973	'67-72	'72-73	1967	1972 ($'000)	1973	'67-72	'72-73	1967	1972	1973	1967	1972	1973
March	Canada Packers	$ 769,485	$1,135,518	$1,497,070	8.1%	31.8%	$ 7,345	$13,264	$17,906	12.5%	35.0%	1.0%	1.2%	1.2%	7.1%	10.0%	11.9%
Dec.	Burns	224,482	433,259	543,178	14.1	25.4	802	3,646	4,558	35.3	25.0	.4	.8	.8	3.0	9.9	10.6
Oct.	J.M. Schneider	57,902	116,465	177,191	14.9	52.1	1,031	2,007	2,708	14.3	34.9	1.8	1.7	1.5	9.9	10.0	10.9
April	Becker Milk	34,511	76,085	82,512	17.0	8.4	797	1,364	2,005	11.5	47.0	2.3	1.8	2.4	24.3	15.1	18.6
Dec.	Dominion Dairies	57,542	85,884	97,550	8.5	13.6	1,237	1,907	2,516	9.0	31.9	2.1	2.2	2.6	13.8	14.5	17.4
Dec.	Silverwood's	99,806	172,002	189,154	11.5	10.0	1,697	1,248	2,150	(6.5)	72.3	1.7	.7	1.1	10.5	5.3	8.7
July	Steinberg's	480,125	1,002,304		15.8		6,402	16,729		21.0		1.2	1.5		7.3	13.0	n/a
March	Dominion Stores	584,192	1,112,220	1,320,732	14.0	18.7	10,508	10,022	13,664	(.9)	36.4	1.8	.9	1.0	14.1	10.9	13.8
April	Loblaw Cos.	2,399,103	2,560,283	2,767,219	1.1	8.1	10,251	(6,539)	(14,862)	(16.5)	(27.2)	.4	(.3)	.5	8.1	(6.8)	n/a
Dec.	Canada Safeway	482,707	1,009,148	1,220,931	16.0	21.0	12,269	21,265	23,216	11.6	9.2	2.5	2.1	1.9	12.8	11.0	10.6
Jan.	Loeb	251,591	546,467	810,957	16.2	48.4	2,448	951	2,357	(21.0)	147.8	1.0	.2	.3	18.0	7.2	10.8
Jan.	Oshawa Group	237,441	600,385	697,583	20.3	16.2	4,222	6,821	7,590	10.0	11.3	1.7	1.1	1.1	16.6	10.1	10.5
April	General Bakeries	24,700	39,666		9.9	n/a	250	148	n/a	(11.0)	n/a	1.0	.4	n/a	5.0	3.0	n/a
Dec.	Maple Leaf Mills	179,262	198,801	266,127	2.4	33.9	2,986	3,150	7,859	1.2	49.5	1.7	1.6	2.9	7.7	6.5	12.4
April	Ogilvie Flour	136,527	153,919		2.1	n/a	3,633	2,834	n/a	(4.1)	n/a	2.7	1.8	n/a	7.5	5.4	n/a
Dec.	George Weston	919,016	1,137,232	1,377,360	4.3	21.1	12,983	18,577	34,629	7.4	86.4	1.4	1.6	2.5	8.6	9.2	16.0

Note: The years noted above may not coincide with the years given in Annual Reports. A March 1974 year end may be reported by the company as fiscal 1974 results but is incorporated in the table as 1973 results.

SECTION VI: INDIVIDUAL COMPANY REPORTS

CANADA PACKERS LIMITED

Sales were up 31.8 percent in the fiscal year ended March, 1974 while profits rose 35.0 percent. Profit margins were constant at 1.2 percent and the return on net worth rose moderately from 10.0 percent to 11.9 percent.

The increase in sales was approximately the same as the general increase in price levels for the industry as a whole, suggesting that roughly the same volume was sold at the higher average industry selling prices, with expenses increasing nearly as quickly as sales.

Almost 71 percent of the profit increase was attributable to general industry price increases. 21.5 percent of the higher profits was due to a decrease in interest and depreciation expenses as a percentage of sales. Interest and depreciation expenses, however, are based upon original costs and during an inflationary period the considerably higher replacement costs are not reflected in these figures.

I

CANADA PACKERS LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Mar. 1968	Mar. 1973 ($'000)	Mar. 1974
Sales	$ 769,485	$1,135,518	$1,497,070
Less: Cost of Sales	706,146	1,032,733	1,378,576
Operating Expenses	43,184	67,768	75,077
Depreciation	5,387	8,460	8,604
Interest (long-term)	-	1,400	1,956
Net Profit Before Tax	14,768	25,157	32,857
Less: Income Taxes	7,632	11,563	14,603
Minority Interest	(209)	330	348
Profit Before Extraordinary Items	7,345	13,264	17,906
Add: Extraordinary Items	723	833	1,199
Net Profit	$ 8,068	$ 14,097	$ 19,105

II

SALES ANALYSIS

Increase in sales of $361,552,000 from Mar./73 to Mar./74 (31.8%) attributed to:

Implied Price Increase *	29.0%
Internal Growth	2.8%
Total	31.8%

* Industry Selling Price. Slaughtering and Meat Packing

III

CANADA PACKERS LIMITED

PROFIT ANALYSIS

A. RATIOS

	1968	1973	1974
Net Profit/Sales	1.0%	1.2%	1.2%
Return on Net Worth	7.1	10.0	11.9
Return on Invested Capital	15.4	19.0	21.3

B. TREND

Fiscal Year Ends:	1968-1973	1973-1974
Growth Rate (Net Profit)*	12.5%	35.0%

* Annual Compound Growth Rate

C. Increase in Profits of $4,642,000 from Mar./73 to Mar./74 (35.0%) attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$4,328	70.4%
Decrease in Interest & Depreciation Ratio	1,322	21.5
Decrease in Effective Tax Rate	498	8.1
Increase in Expense Ratio	(1,488)	
Increase in Minority Int.	(18)	
Total	$4,642	100.0%

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1968	1973 ($'000)	1974
Capital Expenditures	$ 6,068	$13,379	$13,928
Cash Flow	13,463	22,325	29,763
Dividends	3,000	3,960	4,800

BURNS FOODS LIMITED

Sales and profits for Burns Foods Limited rose in tandem during 1973 at 25 percent each. Sales increased less rapidly than average industry selling prices over the year and the growth rate in profits was less than the average for the company over the previous six years.

The increase in profits was largely attributable to the increase in sales, which in turn was the result of generally higher industry prices rather than an increased volume of goods sold.

I

BURNS FOODS LIMITED

FINANCIAL SUMMARY

Fiscal year end:	Dec. 1967	Dec. 1972 ($'000)	Dec. 1973
Sales	$ 224,482	$ 433,259	$ 543,178
Less: Cost of Sales	210,591	404,173	509,431
Operating Expenses	10,718	17,647	19,266
Depreciation	1,882	3,675	4,489
Interest	274	455	1,021
Net Profit Before Taxes	1,017	7,309	8,971
Less: Income Taxes	215	3,663	4,409
Net Profit Before Minority Interest	802	3,646	4,562
Less: Minority Interest	-	-	4
Net Profit Before Extraordinary Items	802	3,646	4,558
Add: Extraordinary Items	106	83	490
Net Profit for the Year	$ 908	$ 3,729	$ 5,048

II

SALES ANALYSIS

Increase in sales of $109,919,000 from Dec./72 to Dec./73 (an increase of 25.4%) is attributed to:

Implied Price Increases (1)	29.0%
Expansion and Internal Growth	(3.6)
Total	25.4%

(1) Industry Selling Prices. Slaughtering and Meat Packing. Average for 1972 and 1973. Source: Canadian Statistical Review.

III

BURNS FOODS LIMITED

PROFIT ANALYSIS

A. RATIOS

	1967	1972	1973
Net Profit/Sales	.35%	.84%	.83%
Return on Net Worth	3.0	9.9	10.6
Return on Invested Capital	4.5	17.5	18.7

B. TREND

Fiscal Year Ends	1967-1972**	1972-1973
Growth Rate (Net Profit)*	35%	25%

C. Increase in Profit before Extraordinary Items of $912,000 from Dec./72 to Dec./73 attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$928	85.5%
Decrease in Operating Expense Ratio	72	6.6
Decrease in effective Tax Rate	86	7.9
Increase in Interest and Depreciation Ratio	(174)	-
Total	$912	100.0%

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1967	1972	1973
Capital Expenditures	$2,423	$10,740	$9,670
Cash Flow	3,061	8,257	9,465
Dividends Paid	-	935	1,096

* Before Extraordinary Items
** Annual Compounded Growth Rate

J.M. SCHNEIDER LTD.

For the year ending October, 1973, J.M. Schneider Ltd. sales increases greatly exceeded the general increase in prices across the meat packing industry. Industry selling prices advanced 29 percent over the year while Schneider's sales increased 52 percent.

The difference between Schneider's sales increases and general industry price increases was due to an active expansion program and to internal growth.

Net profit for 1973 increased 35 percent, considerably less than sales. Profit margins continued to decline in 1973, as they have since 1967. Return on net worth was only marginally higher during 1973.

Nearly 66 percent of the 1973 profit increase was due to an increase in sales which stemmed largely from general industry price increases and acquisitions. A decrease in depreciation and interest as a percentage of sales also served to increase profits by slightly more than 21 percent.

I

J.M. SCHNEIDER LIMITED

FINANCIAL SUMMARY

Fiscal year ends:	Oct. 1967	Oct. 1972 ($'000)	Oct. 1973
Sales	$ 57,902	$ 116,465	$ 177,191
Less: Cost of Sales) Operating Expenses)	54,971	111,202	170,823
Depreciation	776	1,357	1,551
Interest	15	191	188
Net Profit Before Taxes	2,140	3,715	4,629
Less: Income Taxes	1,109	1,708	1,921
Net Profit for the Year	$ 1,031	$ 2,007	$ 2,708

II

SALES ANALYSIS

Increase in sales of $60,726,000 from Oct./72 to Oct./73 (52.1%) attributed to:

Implied Price Increases (1)	29.0%
Internal Growth & Expansion	23.1
Total	52.1%

(1) Industry Selling Prices. Slaughtering and Meat Packing. Average for 1972 and 1973. Source: Canadian Statistical Review.

III

J.M. SCHNEIDER LIMITED

PROFIT ANALYSIS

A. RATIOS

	1967	1972	1973
Net Profit/Sales	1.8%	1.7%	1.5%
Return on Net Worth	9.9	10.0	10.9
Return on Invested Capital	20.5	17.4	17.8

B. TREND

Fiscal Year Ends:	1967-1972*	1973
Growth Rate (Net Profit)	14.3%	34.9%

C. Increase of Profits of $701,000 for Oct./72 to Oct./73 (35%) attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$1,046	65.9%
Decrease in Depreciation & Interest Ratios	334	21.1
Decrease in effective tax rate	207	13.0
Increase in Expense Ratios	(886)	-
Total	$ 701	100.0%

* Annual Compounded Growth Rate

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1967	1972 ($'000)	1973	Projected 1974
Capital Expenditures	$1,398	$2,950	$3,733	$3,300
Cash Flow	1,807	3,539	4,779	
Dividends Paid	688	601	727	

BECKER MILK COMPANY LIMITED

In the year ended April, 1974, Becker Milk Company sales increased by 8.4 percent, well below the 22 percent price increase for food and beverage industries or the 15.2 percent increase in the food component of the Consumer Price Index.

Profits rose by 47 percent. Sales increases contributed only 15 percent of the added profits. A decrease in the expense ratio yielded 84 percent of the profit increase, pointing to internal efficiencies as the main source of additional profit for the year.

Profit margins improved from 1.8 percent in 1973 to 2.4 percent in 1974 and return on net worth rose from 15 percent to 18.6 percent.

I

BECKER MILK COMPANY

FINANCIAL SUMMARY

Fiscal Year Ends:	Apr. 1968	Apr. 1973 ($'000)	Apr. 1974
Sales	$34,511	$76,085	$82,512
Less: Cost of Sales	25,730	55,498	59,449
Operating Expenses	6,592	16,636	17,530
Depreciation	483	1,200	1,243
Interest	51	174	224
Profit before Taxes	1,655	2,577	4,066
Less: Income Taxes	858	1,213	2,061
Net Profit	$ 797	$ 1,364	$ 2,005

II

SALES ANALYSIS

Increase in sales of $6,428,000 for Apr/73 to Apr/74 (8.4%) is attributed to:

Implied Price Increases*	22.5%
Internal Growth & Expansion	(14.1)
Total	8.4%

* Industry Selling Prices. Food & Beverage Industries. April 1973 - April 1974

III

BECKER MILK COMPANY

PROFIT ANALYSIS

A. RATIOS:

	1968	1973	1974
Net Profit/Sales	2.3%	1.8%	2.4%
Return on Net Worth	24.3	15.1	18.6
Return on Invested Capital	39.7	22.6	31.0

B. TREND:

Fiscal Year Ends:	1968-1973	1973-1974
Growth Rate (Net Profit)	11.5%	47.0%

C. Increase in Profit of $641,000 from April, 1973 to April, 1974 attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$115	14.6%
Decrease in Expense Ratio	660	83.9
Decrease in Interest & Depreciation Ratio	12	1.5
Increase in Effective Tax Rate	(146)	
Total	$641	100.0%

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1968	1973 ($'000)	1974
Capital Expenditures	$1,973	$2,324	$1,751
Cash Flow	1,374	2,629	3,345
Dividends	34	206	292

DOMINION DAIRIES LIMITED

Dominion Dairies Limited sales did not keep pace with price increases for the food and beverage industry in 1973. Sales rose 13.6 percent while profits increased by 31.9 percent for the year.

The two major factors contributing to increased profit were sales and a decrease in the tax rate, accounting for 42 and 30 percent of the increased profit respectively. In 1972 the company wrote off $150,000 for goodwill and customer lists, adversely affecting the profits for that year. Since this was a non-recurring item, the profit increases for 1973 were overstated.

I

DOMINION DAIRIES LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Dec. 1967	Dec. 1972 ($'000)	Dec. 1973
Sales	$ 57,542	$ 85,884	$ 97,550
Less: Cost of Sales	41,796	67,298	76,495
Operating Expenses	11,648	13,293	15,061
Depreciation	1,306	1,506	1,538
Interest	210	-	-
Add: Other Income	(5)	43	221
Net Profit Before Taxes	2,577	3,830	4,677
Less: Income Tax	1,340	1,923	2,161
Net Profit for the Year	$ 1,237	$ 1,907	$ 2,516

II

SALES ANALYSIS

Increase in sales of $11,666,000 from Dec./72 to Dec./73 (an increase of 13.6%.) attributed to:

Implied Price Increases (1)	19.5%
Expansion and Internal Growth	(5.9)
Total	13.6%

(1) Industry Selling Prices: Food and Beverage Industries. August 1972 & August 1973. Source: Canadian Statistical Review.

III

DOMINION DAIRIES LIMITED

PROFIT ANALYSIS

A. RATIOS

	1967	1972	1973
Net Profit/Sales	2.1%	2.2%	2.6%
Return on Net Worth	13.8	14.5	17.4
Return on Invested Capital	21.9	27.9	30.4

B. TREND

Fiscal Year Ends:	1967-1972 *	1972-1973
Growth Rate (Net Profit)	9.0%	31.9%

C. Increase in Profits of $609,000 from December, 1972 to December, 1973 is attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$ 260	42.2%
Decrease in Depreciation Ratio	84	13.6
Increase in Other Income	86	13.9
Decrease in Tax Rate	187	30.3
Increase in Expense Ratio	(8)	-
Total	$ 609	100.0%

* Annual Compounded Growth Rate

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1967	1972 ($'000)	1973
Capital Expenditures	$3210	$2321	$1796
Cash Flow	2806	3682	4400
Dividends Paid	386	1064	1208

SILVERWOOD INDUSTRIES LIMITED

Silverwood Industries Limited 1973 sales grew by 10 percent, which was less than the general increase in sales prices for the food and beverage industry.

Profits rose 72.3 percent from 1972 to 1973. Higher sales without proportionate increases in operating costs accounted for 69.7 percent of this improvement in profits. Sales increases contributed only 12.0 percent of increased profits, while a decrease in depreciation and interest as a percentage of sales contributed 18.3 percent of the profit increase.

Profits from 1968 to 1972 decreased at an annual compounded rate of 6.5 percent, making the 1973 increase of 72.3 percent a much-needed correction in profitability. Including the 1973 figures, the compound rate of return from 1968 to 1973 was just 3.3 percent. Return on net worth climbed from 5.3 to 8.7 percent in 1973; however, the current level could not be considered excessive.

I

SILVERWOOD INDUSTRIES LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Mar. 1968	Dec. 1972 ($'000)	Dec. 1973
Sales	$ 99,806	$ 172,002	$ 189,154
Less: Cost of Sales	68,089	124,239	136,855
Operating Expenses	25,579	40,911	43,450
Depreciation	2,251	3,431	3,520
Interest	694	1,111	1,127
Add: Other Income	374	-	-
Profit Before Taxes	3,567	2,310	4,202
Less: Income Taxes	1,857	1,062	2,052
Minority Interest	13	-	-
Profit Before Extraordinary Items	1,697	1,248	2,150
Add: Extraordinary Items	326	515	302
Net Profit for the Year	$ 2,023	$ 1,763	$ 2,452

II

SALES ANALYSIS

Increase in sales of $17,152,000 from Dec./72 to Dec./73 (10.0%) is attributed to:

Implied Price Increases (1)	19.5%
Internal Growth and Expansion	(9.5)
Total	10.0%

(1) Industry Selling Prices. Food and Beverage Industries. Average 1972 and 1973.

III

SILVERWOOD INDUSTRIES LIMITED

PROFIT ANALYSIS

	Mar. 1968	Dec. 1972	Dec. 1973
A. RATIOS			
Net Profit/Sales	1.7%	.7%	1.1%
Return on Net Worth	10.5	5.3	8.7
Return on Invested Capital	13.2	8.6	13.2

B. TREND

Fiscal Year Ends:	1968-1972**	1972-1973
Growth Rate (Net Profit)*	(6.5)%	72.3%

C. Increase in Profit Before Extraordinary Items of $902,000 from December, 1972 to December, 1973 attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$ 123	12.0%
Decrease in Expense Ratio	713	69.7
Decrease in Depreciation and Interest Ratio	187	18.3
Increase in Effective Tax Rate	(121)	-
Total	$ 902	100.0%

* Before Extraordinary Items
** Annual Compounded Growth Rate

IV

SILVERWOOD INDUSTRIES LIMITED

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

		($'000)	
	1968	1972	1973
Capital Expenditures	$3276	$3754	$5221
Cash Flow	4696	4789	5618
Dividends Paid	1075	1075	1075

DOMINION STORES LIMITED

Sales were up 18.7 percent in the fiscal year ended March, 1974 while profits rose 36.4 percent. The increase in sales matched the upswing in industry selling prices at 18.2 percent for the period March, 1973 to March, 1974.

Of the profit increase nearly 44 percent was the result of sales increases, 40 percent came from a decrease in expense ratios and 15 percent from a decline in depreciation and interest ratios.

The return on net worth improved from 10.9 percent in 1973 to 13.8 percent in 1974.

I

DOMINION STORES LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Mar. 1968	Mar. 1973 54 weeks ($ Millions)	Mar. 1974 53 weeks
Sales	$ 584,192	$1,112,220	$1,320,732
Less: Cost of Sales and)	554,541		
Operating Expenses)		936,454	1,110,235
Wages, Salaries & Benefits)		136,377	161,741
Municipal Taxes)		7,771	7,919
Plus: Investment Income	307	255	381
Profit before Depreciation	29,958	331,873	41,218
Less: Depreciation	6,739	10,071	10,795
Interest - short term	90	246	580
Profit before long term interest	23,129	21,556	29,843
Less: Long Term Interest	600	2,289	2,312
Profit before Taxes	22,529	19,267	27,531
Less: Income taxes	12,021	9,245	13,867
Net Profit	$ 10,508	$ 10,022	$ 13,664

II

SALES ANALYSIS

Increase in sales of $208,500,000 from Mar/73 to Mar/74 (18.7%) attributed to:

Implied Price Increase *	18.2%
Internal Growth Expansion	.5%
Total	18.7%

* Consumer Price Index - Food Components. March 1973 - March 1974

III

DOMINION STORES LIMITED

PROFIT ANALYSIS

A. RATIOS

	1968	1973	1974
Net Profit/Sales	1.8%	.9%	1.0%
Return on Net Worth	14.1	10.9	13.8
Return on Invested Capital	25.7	18.0	22.6

B. TREND

Fiscal Year Ends:	1968-1973	1974
Growth Rate (Net Profit)	19%	36.3%

C. Increase of profits of $3,642,000 from Mar/73 to Mar/74 (36.4%) attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in sales	$1,876	43.64%
Decrease in Expense Ratios	1,720	40.00
Decrease in Depreciation & Interest Rates	643	14.96
Increase on Investment Income	60	1.40
Increase in Effective Tax Rate	(657)	
Total	$3,642	100.00%

IV

CASH FLOW, CAPITAL EXPENDITURES & DIVIDENDS

	1968	1973 ($'000)	1974
Capital Expenditures	$10,600	$13,782	$24,411
Cash Flow	17,300	20,268	25,543
Dividends Paid	5,813	5,965	5,984

LOBLAW COMPANIES LTD.

Sales were up 8.1 percent for the 39 weeks ended December, 1973 combined with the 12 week interim results for the first part of 1974 ending in March, 1974. Year ends are being adjusted to coincide with the calendar year.

Loblaws sustained a substantial loss over the 51 week period making a profit analysis superfluous. Sales rose less than the industry's general price increases of 18.2 percent. The growth rate for the 51 week period was -27.2 percent.

I

LOBLAW COMPANIES LTD.

FINANCIAL SUMMARY

Fiscal Year Ends:	43 weeks June 1967	52 weeks March 1973	39 weeks[1] Dec. 1973	51 weeks[2] March 1974
		($'000)		
Sales	$2,399,103	$2,560,283	$2,096,092	$2,767,219
Less: Cost of Sales & operating exps.	2,333,857	2,544,218	2,093,091	
Depreciation	24,209	24,973	18,995	
Interest long-term	4,470	8,157	6,871	
Other interest	3,683	2,521	4,876	
Add: Investment Income	2,129	1,062	1,092	
Profit before Taxes	35,013	(18,524)	(26,649)	
Less: Income taxes	15,154	(9,004)	(4,800)	
Profit before Minority Interest	19,859	(9,520)	(21,849)	
Less: Minority Interest	10,005	(2,981)	(8,171)	
Profit before extra-ordinary items	9,854	(6,539)	(13,678)	(14,862)
Less: Extraordinary items	4,829	(8,225)	645	807
Net Profit	$ 14,683	$ (14,764)	$ (13,033)	$ (14,055)

II

SALES ANALYSIS

Increase in sales of $206,936,000 from Mar/73 to Mar/74 (8.1%) attributed to:

Implied Price Increase[3]	18.2%
Internal Growth	(10.1)
Total	8.1%

(1) New Fiscal year end.
(2) Derived by combining 39 week annual report and 12 week interim report for period ended March, 1974.
(3) Consumer Price Index - Food Component, March 1973 - March, 1974.

III

LOBLAW COMPANIES LTD.

PROFIT ANALYSIS

A. RATIOS

	1967	1973	1974
Net Profit/Sales	.41%	(.25%)	(.53%)
Return on Net Worth	8.11	(6.84)	n/a

B. TREND

Fiscal Year Ends:	1967-1973	1973-1974
Growth Rate (Net Profit)*	(16.5%)	(27.2%)

* Before extraordinary items

CANADA SAFEWAY LIMITED

Sales increased by 21 percent in 1973 for Canada Safeway Limited. Profits rose only 9.2 percent, less than the annual compound growth rate in the previous six years.

Due to an expansion in the number of sales outlets, sales rose faster than price increases which averaged 14.6 percent for the industry in 1973.

Of the profit increase, 88 percent was the result of sales increases. The remaining 12 percent was attributable to a decrease in depreciation and interest as a percentage of sales.

Both profit margins and the return on net worth declined during 1973 from the year before and were substantially lower than 1967 results.

I

CANADA SAFEWAY LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Dec. 1967	Dec. 1972 ($'000)	Dec. 1973
Sales	$ 482,707	$1,009,148	$1,220,931
Less: Cost of Sales & Operating Expenses	453,519	956,320	1,161,723
Depreciation	5,358	12,043	13,718
Interest (short-term)	15	75	141
Interest (long-term)	36	1,741	1,745
Add: Other Income	1,300	1,441	1,088
Net Profit Before Taxes	25,079	40,410	44,692
Less: Income Taxes	12,810	19,138	21,466
Net Profit Before Minority Interest	12,269	21,272	23,226
Less: Minority Interest	-	7	10
Net Profit for the Year	$ 12,269	$ 21,265	$ 23,216

II

SALES ANALYSIS

Increase in sales of $211,783,000 from Dec./72 to Dec./73 (21.0%) attributed to:

Implied Price Increases[1]	14.6%
Internal Growth & Expansion	6.4
Total	21.0%

(1) Food Component of Consumer Price Index - Aug./72 and Aug./73

III

CANADA SAFEWAY LIMITED

PROFIT ANALYSIS

A. RATIOS

	1967	1972	1973
Net Profit/Sales	2.5%	2.1%	1.9%
Return on Net Worth	12.8	11.0	10.6
Return on Invested Capital	25.3	21.8	21.2

B. TREND

Fiscal Year Ends:	1967-1972*	1972-1973
Growth Rate (Net Profit)	11.6%	9.2%

C. Increase in Profit of $1,951,000 from Dec./72 to Dec./73 (9.2%) attributed to:

	Dollar Increase	($'000)	% of Net Increase
Increase in Sales	$4461		88.0%
Decrease in Interest & Depreciation Ratio	610		12.0
Increase in Expense Ratio	(2478)		
Decrease in Other Income	(339)		
Increase in Tax Rate	(300)		
Increase in Minority Int.	(3)		
Total	$1951		100.0%

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1967	1972 ($'000)	1973
Capital Expenditures	$29,572	$33,247	$41,097
Cash Flow	17,604	34,322	39,089
Dividends Paid	387	295	311

* Annual Compounded Growth Rate

M. LOEB LIMITED

For the year ended January, 1974 company sales increased 48 percent while net profits increased 147.8 percent. The major portion of improved sales and profits resulted from acquisitions.

Net profits had a spectacular growth of 147.8 percent. About 31 percent of this increase was attributable to an increase in sales. A decrease in the expense ratio, achieved through acquisitions on the one hand and sale of part of the company's operations on the other, contributed the balance of profit gains.

Profit margins improved from .2 percent to .3 percent during the year.

M. LOEB LIMITED

For the year ended January, 1974 company sales increased 48 percent while net profits increased [illegible] percent. The major portion of improved sales and pr[illegible] resulted from acquisitions.

[illegible] profits had a spectacular growth of 14[illegible] percent. About 31 percent of this increase was attributable to an increase in sales. [illegible] decrease [illegible] the expense ratio, achieved through acquisit[illegible] the [illegible] hand and sale of part of the company's operations on the other, contributed the balance [illegible] profit gains.

Profit margins improved from .2 percent to [illegible] percent during the year.

I

M. LOEB LIMITED

FINANCIAL SUMMARY

	1968	Jan. 1973 ($'000)	Jan. 1974
Sales	$ 251,591	$ 546,467	$ 810,957
Less: Cost of Goods Sold)	232,399	490,115	737,162
Operating Expenses)	13,347	50,747	62,632
Depreciation	727	1,618	2,142
Interest (short-term)	300	946	1,433
Interest (long-term)	115	469	1,487
Add: Interest Earned	302	176	94
Net Profit Before Taxes	5,005	2,749	6,195
Less: Income Taxes	2,547	1,423	3,164
Minority Interest	9	375	674
Net Profit Before Extraordinary Items	2,448	951	2,357
Add: Extraordinary Items	-	451	890
Net Profit	$ 2,448	$ 1,402	$ 3,247

II

SALES ANALYSIS

Increase in sales of $264,390,000 from Jan./73 to Jan./74 (48.4%) attributed to:

Implied Price Increases (1)	17.0%
Internal Growth & Expansion	31.4%
Total	48.5%

(1) Food Component of Consumer Price Index, Dec./72 to Dec./73

III

M. LOEB LIMITED

PROFIT ANALYSIS

A. RATIOS

	1968	1973	1974
Net Profit/Sales	.97%	.17%	.29%
Return on Net Worth	17.99	7.24	10.80
Return on Invested Capital	27.83	24.23	28.72

B. TREND

Fiscal Year Ends:	1968-1973*	1973-1974
Growth Rate (Net Profit)*	(21.0)%	147.8%

C. Increase in Profits of $1,406,000 from Jan./73 to Jan./74 (147.8%) attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$ 642	31.3%
Decrease in Expense Ratios	1,371	66.7
Decrease in Effective Tax Rate	42	2.0
Increase in Interest & Depreciation Ratios	(267)	
Decrease in Misc. Income	(83)	
Increase in Minority Int.	(299)	
Total	$1,406	100.0%

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

($'000)	1968	1973	1974
Capital Expenditures	$1,382	$1,525	$4,934
Cash Flow	3,274	2,978	4,489
Dividends Paid	736	658	843

* Annual Compound Growth Rate

THE OSHAWA GROUP LIMITED

The Oshawa Group sales were up 16.2 percent in the fiscal year ended January 1974: profits rose 11.3 percent.

Sales increased less rapidly than the food component of the Consumer Price Index between December 1972 and December 1973.

One third of the increase in profits was due to sales increases. Changes in accounting practices in 1973 and revised depreciation rates had a significant impact on profit figures, making comparison with the financial results of the previous year difficult.

Profit margins and return on net worth remained unchanged from the previous year.

I

THE OSHAWA GROUP LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Jan. (1) 1968	Jan. 1973 ($'000)	Jan. 1974
Sales	$237,441	$600,385	$697,583
Less: Cost of Sales and Operating Expenses	225,462	577,247	674,082
Depreciation	2,803	7,394	5,873
Interest	891	5,125	5,007
Add: Interest & Other Income	-	1,639	1,995
Profit Before Taxes	8,292	12,258	14,616
Less: Income Taxes	4,025	5,437	7,026
Minority Interest	45	-	-
Profit before Extraordinary Items	4,222	6,821	7,590
Extraordinary Items (Loss)	538	2,884	(38)
Net Profit	$ 4,760	$ 9,705	$ 7.552

II

SALES ANALYSIS

Increase in sales of $97,198,000 from Jan/73 to Jan/74 (an increase of 16.2%) is attributed to:

Implied Price Increases (2)	17.0%
Expansion & Internal Growth	(.8)
Total	16.2%

(1) Restated slightly to conform to 1974 accounting changes.

(2) Food Components of Consumer Price Index, December 1972 to December 1973.

III

THE OSHAWA GROUP LIMITED

PROFIT ANALYSIS

A. RATIOS:

	1968	1973		1974
Net Profit/Sales	1.7%	1.1%		1.1%
Return on Net Worth	16.6	10.1	*	10.5
Return on Invested Capital	23.5	14.7		15.3

B. TREND:

Fiscal Year Ends:	1967-1972	1972-1973
Growth Rate (Net Profit)	10.0%	11.3%

C. Increase in Profits before Extraordinary Items of $769,000 from Jan/73 to Jan/74 attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$1,103	34.5%
Decrease in Depreciation & Interest Ratio	2,039	63.8
Increase in Other Income	54	1.7
Increase in cost of sale of securities and operating expense ratio	(1,883)	
Increase in Effective Tax Rate	(544)	
Total	$ 769	100.0%

* Restated to conform with 1974 accounting changes.

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1968	1973 ($'000)	1974
Capital Expenditures	$7,514	$12,163	$16,950
Cash Flow	7,927	14,392	15,572
Dividends	690	2,110	2,394

MAPLE LEAF MILLS LIMITED

In the year ended December, 1973 Maple Leaf Mills Limited experienced a sales increase of 33.9 percent; profits increased 49.5 percent over the same period. The profit margin rose from 1.6 percent to 2.9 percent over the year and the return on net worth nearly doubled from 6.5 to 12.4 percent.

The rapid increase in profits as compared to sales was largely due to a decrease in expense ratios; in other words, the same plant and labour were used to handle a substantially higher dollar sales. Over 56 percent of the profit increase resulted from greater efficiencies. Nearly 22 percent of profit increases was attributable to the volume increase in sales while more than 15 percent resulted from a decrease in depreciation and expense ratios.

Return on net worth nearly doubled during 1973 but the average for the period 1968 - 1973 remained at a relatively low level.

I

MAPLE LEAF MILLS LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Mar. 1968	Dec. 1972 ($'000)	Dec. 1973
Sales	(1) $ 136,814	$ 198,801	$ 266,127
Less: Cost of Sales & Operating expenses	126,889	168,835	223,770
Selling & Administration expenses		19,272	22,712
Depreciation	2,411	3,586	3,779
Interest (short term)	1,554	1,886	2,465
" (long term)	707	982	927
Minority Interest	-	94	482
Add: Other income	306	1,954	2,617
Profit before taxes	5,559	6,100	14,609
Less: Income Taxes	2,710	2,950	6,750
Profit Before Extraordinary Items	2,849	3,150	7,859
Add: Extraordinary Items	-	627	9,072
Net Profit for the Year	$ 2,849	$ 3,777	$ 16,931

(1) See restatement of sales, and net profit for 1968 in Part I, Volume II, Appendix 14-B

II

MAPLE LEAF MILLS LIMITED

SALES ANALYSIS

Increase in Sales of $67,326,000 (33.9%) from Dec./72 to Dec./73 attributed to:

Price Increases [1]	24.2%
Internal Growth & Expansion	9.7
Total	33.9%

(1) Industry Selling Price Indices. Flour Mills and Bakeries 1972 and 1973.

III

MAPLE LEAF MILLS LIMITED

PROFIT ANALYSIS

A. RATIOS

	Mar. 1968	Dec. 1972	Dec. 1973
Net Profit/Sales	1.7%	1.6%	2.9%
Return on Net Worth	7.7	6.5	12.4
Return on Invested Capital	11.5	10.1	18.4

B. TREND

Fiscal Year End	1967-1972*	1972-1973
Growth Rate (Net Profit)**	1.2%	49.5%

C. Increase in Profit before Extraordinary Items of $4,709,000 from Dec./72 to Dec./73 attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$1,064	21.8%
Decrease in Expense Ratios	2,750	56.2
Decrease in Depreciation & & Interest Ratio	763	15.6
Increase in Other Income	1	-
Decrease in effective tax rate	315	6.4
Increase in Minority Interest Ratio	(184)	
Total	$4,709	100.0%

* Annual Compounded Growth Rate
** Before Extraordinary Items

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	Mar. 1968	Dec. 1972 ($'000)	Dec. 1973
Capital Expenditures	$5,268	$2,549	$ 3,688
Cash Flow	5,506	6,392	12,655
Dividends	1,415	1,375	1,598

GEORGE WESTON LIMITED

George Weston Limited sales increased 21 percent from 1972 to 1973 while profits rose 86.4 percent. Of the profit increase, nearly 75 percent was due to a decrease in the expense ratio; a higher volume of sales was obtained without a proportionate increase in operating expenses. Sales increases accounted for 21 percent of the profit increase.

Profit margins and return on net worth increased significantly in 1973 as a result of increased efficiencies and in anticipation of a sharp upswing in replacement costs.

I

GEORGE WESTON LIMITED

FINANCIAL SUMMARY

Fiscal Year Ends:	Dec. 1967	Dec. 1972 ($'000)	Dec. 1973
Sales	$ 919,016	$1,137,232	$1,377,360
Add: Dividends from Loblaw Co. Ltd)		2,274	2,510
Other Interest Income)		1,721	3,773
Less: Cost of Sales & Operating Exp)	868,520	1,077,481	1,278,895
Depreciation	14,463	18,965	19,881
Interest (short-term)	2,850	3,562	6,579
" (long-term)	4,736	6,597	9,202
Profit Before Taxes	28,477	34,622	69,156
Less: Income Taxes	12,418	13,664	31,066
Profit Before Minority Interest	16,029	20,958	38,090
Less: Minority Interest	3,046	2,381	3,461
Profit Before Extraordinary Items	12,983	18,577	34,629
Less: Extraordinary Items	6,789	11,340	-
Net Profit for the Year	$ 19,722	$ 29,917	$ 34,629

II

SALES ANALYSIS

Increase in Sales of $240,128,000 from Dec./72 to Dec./73 (21.1%) attributed to:

Implied Price Increases (1)	23.6%
Internal Growth and Expansion	(2.5)
Total	21.1%

(1) Industry Selling Price Indices. Flour Mills and Bakeries. Average 1972 and 1973. Source: Canadian Statistical Review.

III

GEORGE WESTON LIMITED

PROFIT ANALYSIS

A. RATIOS

	1967	1972	1973
Net Profit/Sales	1.4%	1.6%	2.5%
Return on Net Worth	8.6	9.2	16.0
Return on Invested Capital	12.8	12.1	19.7

B. TREND

Fiscal Year Ends:	1967-1972**	1972-1973
Growth Rate (Net Profit)*	7.4%	86.4%

C. Increase in Profit* of $16,052,000 from Dec./72 to Dec./73 (86.4%) attributed to:

	Dollar Increase ($'000)	% of Net Increase
Increase in Sales	$ 4,423	21.0%
Decrease in Expense Ratio	15,787	74.8
Increase in Other Income	893	4.2
Increase in Depreciation & Interest Ratio	(201)	
Increase in Tax Rate	(3,770)	
Increase in Minority Interest	(1,080)	
Total	$16,052	100.0%

* Before Extraordinary Items
** Annual Compounded Growth Rate

IV

CASH FLOW, CAPITAL EXPENDITURES AND DIVIDENDS

	1967	1972 ($'000)	1973
Capital Expenditures		$27,003	$48,526
Cash Flow		37,972	65,996
Dividends	$ 9,143	10,609	12,047